



**CENTRE FOR  
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STELLENBOSCH · SOUTH AFRICA

## South-South migration and trade: African traders in China

**China-Africa relations are mainly driven by economic co-operation, underpinned by trade, investment and aid. The growing economic interests and business ties between China and Africa come along with movement of people; hence Africans in China and Chinese in Africa seeking trade opportunities not only at the macro- but also at the micro-level. This paper explores the various types of traders from Africa operating in China and thereby gives some insights on their role in China-Africa trade and provides some recommendations to Chinese authorities in engaging with this new quality of globalisation. Since the establishment of the Forum on China Africa Cooperation (FOCAC) in 2000, China-Africa trade volume has rapidly increased, reaching more than US\$ 200 billion in 2012. Market openness, shifts in trade patterns leading to trade liberalisation in China and Africa and China's accession to the World Trade Organisation (WTO), in December 2001, have contributed to boosting Sino-African trade volumes. Besides the big picture of ever increasing trade volumes, the relationship is driven by individuals on both sides, including African traders in China.**

### African Migration to China

China is one of the world's largest emigration sources, with 33 million ethnic Chinese living outside China, including in Taiwan and Hong Kong according to the World Bank, 2010. Yet, as a growing economy, China is today also attracting foreigners. While numbers are still comparatively small, China is becoming an emerging destination for economic migration from developed and developing countries. China's economic rise and modernisation the past three decades since the 1980s have driven foreigners to major Chinese cities for various reasons: skilled works, studies, businesses, trade; etc. According to the 2010 census in China, there are 593 832 foreigners mainly from South Korea, the United States and Japan living in the "Middle Kingdom".

This is somewhat nurtured by global trends. With the tight migration policies in Europe and North America put in place in the 2000s and the financial crisis since 2008/2009, migration destinations have shifted from South-North to South-South, thus following the growing economic cooperation between South-South countries. Massive production capacity and price competitiveness to acquire cheap "made in China" consumer goods have attracted many African traders who are temporarily traveling or residing in China for trade and business opportunities. Even though African skilled workers, diplomats

and students in various Chinese cities is not a new phenomenon, the number of African traders in China's "city markets" has increased since 2000. The African population in China is estimated to be 100 000, but the data is incomplete. The actual number might be higher and some speculations put the number at 500 000.

The first destinations for African trade and businesses in Asia were Dubai, Hong Kong and Bangkok. Due to the 1997 economic crisis in many East-Asian countries and the increasing living costs and product prices in these markets, African traders moved to China's southern province Guangdong, close to Hong Kong. It hosts the 'world's factories' that today supply the global markets with Chinese manufacturing goods. With this move, they started bypassing a large number of "middlemen" in Bangkok, Dubai and Hong Kong who source their orders and supply with Chinese products from Guangdong. A major destination for African traders today is Yiwu in Zhejiang province, in eastern China. The town is known as the "world trade centre", with its market districts developing fast thanks to comprehensive economic reforms (trade liberalisation, private entrepreneurship development and establishment of trade networks; etc.). The physical structure of Yiwu market has become so massive that it is reportedly visible from space.

Diagram 1: Yiwu International Commodities Fair



In line with this development, the increasing number of direct flights between African and major Chinese cities have also contributed to the growing African presence in China. Chinese, African and international airlines regularly offer nonstop flights from major African to Chinese cities, enabling direct trade interactions.

### African traders in China

While many African traders regularly travel to Guangzhou or Yiwu to buy "made in China" products that they resell in their respective countries, some have decided to immigrate and open businesses in China. African traders in China originate from various regions. While in Guangzhou they are dominated by West Africans (Nigerians, Malians and Senegalese), in Yiwu the largest number come from North Africa (Egypt, Algeria, Tunisia and Morocco). They mainly come from middle class families and most of them have a relatively high education backgrounds

(high school and at times universities degrees) which is indicative of their business management and communications skills that they use in their trade operations. The African traders population in China is generally composed of single men in their early 20s and above. A smaller number of them are married and are sometimes accompanied by family members (wife and children).

African traders in China can be divided into three groups according to their main function in economic relations: the trade agents, the entrepreneurs and the temporarily traveling traders. Each group plays specific roles in facilitating Sino-African trade (see box 1).

### Contribution to socio-economic development in China and Africa

With an interest in setting up businesses in China, the growing presence of African traders has triggered new types of entrepreneurship among the Chinese population in and around Yiwu and Guangzhou. African traders' innovative business ideas to diversify their activities in different trade sectors keep motivating Chinese entrepreneurs to start new specialised businesses to meet these demands. African traders are part of the globalization experienced in China. Chinese have also moved to Guangzhou and Yiwu in search of jobs in trade, logistics, shipping, hostelry activities, interpretation and other related

areas. Almost all African traders in China hire Chinese for administrative purpose, such as tax payment, customs clearance or shipping, and interpretation services.

African traders in China contribute to the formation of social capital in their home countries. The profits and revenues they make through their trade activities are reinvested in their countries to open up other businesses or develop previous investments through the remittances. While doing business in China, African traders support their family in Africa by transferring money not only via established companies such as *Western Union* and *Money Gram* but also through their own informal networks. Due to the high costs of South-South remittances (usually higher than North-South remittances) informal money transfer systems, based on trust, avoid high transfer fees and exchange commissions.

Through their dynamic and interactive social and long-term business relationships, these traders contribute to exchanges of

### Box 1: The demographic profile of the Chinese traders in Dakar/Senegal

#### The trade agents

Trade agents commonly arrived in China in the early 2000s. Their early stay enabled them to establish themselves and own businesses in China's 'city markets' (Guangzhou and Yiwu). They play an important role in facilitating trade negotiations for African traders who regularly travel from Africa to China to buy commodities that they resell in their home countries. The African trade agents' jobs consist in welcoming African merchants, sometimes hosting them in their apartments with a cheaper accommodation fee compared to the hotels rooms. They offer interpretation services to their customers, provide warehouses and facilitate the forwarding of the commodities through Chinese logistics and International shipping companies.

#### The entrepreneurs

The entrepreneurs process differently from trade agents. Prior to coming to China, they often lived and operated in other countries; mainly in Europe and North America. With their long stay in China and the good relationship built with some Chinese wholesalers and factories' owners, they take orders from traders located in their home countries in particular and other African countries in general where they have business ties. Their knowledge of China's markets and factories, language skills in Mandarin and good contacts in various offices involved in customs, shipping, forwarding; etc. enable them to process all the purchases needed by a merchant based in Africa. Their business transactions are done via phone call, fax and e-mail correspondence and sometimes based on the issuance of a letter of credit which secures them and their customers in terms of their respective engagement to deliver the products ordered and to make bank payment.

#### The temporarily traveling traders

This group constitutes the largest number of African traders in China's trade hubs. They regularly travel to Guangzhou and Yiwu to order products and shop for inexpensive goods, such as clothing, footwear, stationery, electronics, garments; etc. These goods are then often brought in their suitcases – or shipped in containers sometimes via groupage – to resell in African markets. African traders who regularly and periodically travel to China are part of temporary migration; their role in African-driven trade between China and Africa is sizable.

goods and ideas between China and Africa. The skills they develop by doing business in China are passed onto family members and other traders in Africa.

#### Challenges and difficulties

Due to the changing business landscape in China, African traders in China face challenges for the future of their businesses. China's trade environment faces consequences related to higher labour and production costs. Policy change in China also is likely to mean higher export taxes, thus affecting African traders. Generally operating at a small scale, the businesses and trade activities of African traders may become less effective, as many Chinese factories are delocalising to neighbouring countries in South East Asia, where the knacks of trade have to be learned anew.

The informal business environment based on small trade and often involving counterfeit goods comes with high risks of losses. China's government is trying to resolve issues related to intellectual property – and almost all trade is done in cash. Doing business in China is challenging. Some Africans have made high profits out of their first trips to China. Some manage to build strong commercial ties with African traders

settled in China, with Chinese factory owners and with Chinese wholesale traders. This helps them to get their orders from China when they return to their home countries. Many however, have also seen their fortunes vanish due to supplies of poor quality products or thefts. Traders often carry large amounts of money in the Chinese markets. Some people in these areas take advantage through tricking traders and stealing their money; at times, this also involves the use of violence.

Compared to Chinese traders in Africa (see the CCS policy brief: South-South migration and trade: Chinese traders in Senegal), African traders in China face more social issues rather than language problems. At least some speak fluent Mandarin or Cantonese and feel integrated into the Chinese society. Yet, negative perceptions are frequently encountered and prejudices about Africa and Africans among common Chinese people persist, at times fanning social tensions linked to racism and discrimination in streets or markets.

Well-established African traders in China complain about a lack of support from the Chinese government and from their respective governments to access credits or loans, which



negatively impacts on their business activities. They are also worried about the future of their children who are born or growing up in China. Yiwu, does not have an international school yet, and African children here can thus only go to Chinese schools. Furthermore, African traders have highlighted the difficulties to obtain long stay permits and visas. Beside personal insecurity, this restricts their time to visit the factories and markets to make orders and purchases. African traders traveling or residing in China have short stay permits, two weeks, a few months or at most one year, sometimes renewable or not even though some run their own companies.

Chinese immigration officers are reluctant towards more transparent and open immigration policies for visa extensions. In 2008, prior to the Beijing Olympics, Chinese visa policies tightened in order to control Chinese borders, deal with illegal immigration and increasing numbers of foreigner arrivals in China. Similar policies have been applied during the Asian Games held in Guangzhou, in November 2010. These situations have led many Africans to go back to their home countries or stay in China's neighbouring countries until policies loosen up again.

## Recommendations

The "opening up" policy has had unintended consequences: China today faces unprecedented challenges with the arrival of considerable numbers of foreigners seeking work and business opportunities within its borders. The situation puts the Chinese immigration policies, laws and regulations to test. While Chinese observers often argue that immigration is not a sensitive topic, the Chinese government has raised concerns about finding ways to manage foreign migration into China.

China should elaborate transparent and systemic immigration laws and regulations instead of ad hoc changes based on major international events. Instead of having an entry and exit bureau, which is currently in charge of foreign migration to China, a full structured ministry with comprehensive immigration administration structures should be created.

Traditional immigration destinations (Europe and North America) still face challenges with millions of undocumented immigrants into the United States of America and hundreds of illegal immigrants entering Europe each year. China can learn from these cases about establishing immigration

policies and laws aiming at dealing with both illegal and regular immigration. To discourage illegal immigration, Chinese officials will need to deal with corrupt Chinese agents who provide foreigners who do not qualify for visas through official channels, with visas, for large sum of money; these agents are at times helped by immigration officers in different Chinese cities.

As China is willing to welcome skilled workers and overseas business people, it will need to accept and adapt to the social and urban space transformations which come along with the foreign presence. Immigrants' religious beliefs and socio-cultural practices for social cohesion between Chinese and foreigners will need to be taken into account in urban planning. To achieve such cohesion, local and central governments, immigrants and Chinese communities who engage with them should play a positive role based on non-discrimination and respect of legal obligations.

Chinese officials should issue long-stay permits to regular and legal immigrants in accordance with the duration of their work contract or business purpose. Furthermore, co-operation between national and local governments as well as local and international organisations dealing with international immigrants, is needed in order to manage international immigration into China.

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